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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

ORIGINAL

Analysis Of Energy Reorganization Savings Estimates And Plans

SUMMARY

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On May 24, 1982, the President transmitted to the Congress proposed legislation to reorganize Federal energy activities. This report addresses

--the relationship of the energy reorganization proposal to the fiscal year 1983 energy budget request,

--the savings estimates developed in support of the reorganization proposal,

--the potential expenses and problems that could be involved in energy reorganization, and

--the need for implementation planning to carry out an effective and efficient reorganization.

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

ANALYSIS OF ENERGY REORGANIZATION SAVINGS ESTIMATES AND PLANS

D I G E S T

On December 17, 1981, the President proposed that the Department of Energy (DOE) be reorganized and that its functions be transferred to other executive branch agencies. This proposal was incorporated in the administration's fiscal year 1983 energy budget request, and on May 24, 1982, it was introduced in the U.S. Senate as S. 2562, 97th Congress. It provides for the fiscal year 1983 transfer of DOE activities to several executive branch agencies, principally the Department of Commerce.

GAO's review was performed at the request of the chairmen of the several congressional committees listed on page two of this report. In response to their requests, GAO reviewed

--the extent to which the administration's fiscal year 1983 budget proposal recognized reorganization costs and savings;

--the adequacy of documentation in support of the administration's cost savings estimates, and its plans for implementing the reorganization; and

--potential expenses that could be encountered as a result of the proposed energy reorganization.

In summary, GAO found that the administration has not developed reliable information on key aspects of the proposed reorganization. The costs or savings of the proposed energy reorganization are not reflected in the 1983 budget request, the expenses of reorganization have not been assessed, and the current savings estimates are poorly documented and are based on inadequate implementation plans.

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ENERGY BUDGET REQUEST DOES NOT REFLECT REORGANIZATION COSTS OR SAVINGS

In submitting its budget request, the administration stated that reductions in energy programs and DOE's reorganization would save $1.3 billion and 3,800 work years during fiscal year 1983. GAO found that in preparing the budget, DOE and OMB concentrated primarily on reducing the overall size of the energy budget request through program and employment reductions. The potential costs or savings effects of the energy reorganization were not assessed during the budget development process, and they are not reflected in the budget submission. (See pp. 4 and 5.)

Consequently, GAO was unable to link the budget proposal directly with the reorganization plan. Although the budget does request reductions in funding for energy activities, these reductions primarily reflect a diminished Federal involvement in certain energy programs, rather than savings that are necessarily related to efficiencies made possible through reorganization. (See p. 5 and 6.)

REORGANIZATION SAVINGS CLAIMS ARE NOT SOUNDLY BASED

Following submission of the energy budget request to Congress in February 1982, the administration's energy reorganization task force projected a goal of saving about $1 billion over a 3-year period as a result of reorganization. This estimate was announced along with the administration's legislative reorganization proposal of May 24, 1982. (See p. 5.)

GAO's review of the documentation underlying this estimate, and discussions with DOE and Commerce officials, showed that the estimate was not adequately documented. The items that compose this estimate reflect (1) energy program changes rather than reorganization, (2) reorganization effects that administration officials could not specifically support, and (3) management actions that could be implemented whether reorganization does or does not occur. Offsetting expenses were not included in this savings estimate. (See pp. 5 to 8.)

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As this report was undergoing final processing, the Secretary of Commerce estimated in a June 24, 1982, hearing of the Senate Governmental Affairs Committee, that the proposed reorganization would result in cost-savings of $250 million over a 3-year period. The documentation provided by the Commerce Department shows that this estimate was based on adjustments to the previous estimate of the administration's task force on energy reorganization. Although this is a significant reduction of the $1 billion estimate, the estimate is not adequately documented and does not reflect a full assessment of potential reorganization expenses.

MANAGEMENT AND ADMINISTRATION EXPENSES NEED TO BE CONSIDERED IN REORGANIZATIONS

Although DOE's policies, procedures, and financial and management systems would be available for immediate use following reorganization, there are potential expenses associated both with their continued use and their merger with the systems of other agencies. Depending upon the reorganization approach used, these expenses might be avoided or deferred. It could be necessary, however, to deal with some of the expenses immediately. For example, start-up costs could be incurred in designing new systems for providing payroll, personnel, accounting, and related types of services needed for administrative support of agency operations. (See pp. 8 to 12.)

NEED FOR TRANSITIONAL PLANNING

Previous GAO reviews of Federal reorganizations have shown that sound transitional planning is necessary to ensure an efficient, effective reorganization. Without such plans, agencies have encountered numerous problems ranging from insufficient office space to an inability to provide administrative support for operations. These problems subsequently have given rise to requests for supplemental appropriations.

Although start-up problems are inevitable in a major Federal reorganization, these problems can be managed and alleviated through implementation plans and information that address the time, effort, personnel, and other resources that will be required in carrying out the reorganization.

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The administration has taken an appropriate step in establishing a high level interagency task force to assist in the reorganization of DOE's activities. But, the administration has not (1) performed the detailed planning necessary to define how energy functions would be organized, coordinated, managed, and operated, (2) identified the administrative and operational requirements for implementing changes, and (3) documented the costs and savings that could be expected to result from the reorganization. (See pp. 13 to 15.)

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As requested by the committees, GAO did not seek comments on this report from the Department of Energy or other executive branch agencies mentioned in the report. GAO did, however, discuss the contents of the report with administration officials responsible for energy reorganization matters and considered their comments in preparing the report. (See p. 3 and 10.)

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ABBREVIATIONS

DOE	Department of Energy
GAO	General Accounting Office
OMB	Office of Management and Budget